BAUCUS-HATCH BILL PROTECTS FINANCIAL SERVICES JOBS IN U.S.
International tax legislation will help U.S. companies keep pace with foreign competitors

Washington, DC – Senators Max Baucus (D-Mont.) and Orrin Hatch (R-Utah) today introduced legislation to protect the jobs that U.S. financial services companies have created in the U.S., by keeping the industry on an equal tax footing with its international competitors.   When foreign financial services companies earn income abroad, it's not subject to taxation until the money is brought back to the parent company at home. The law giving American companies this tax treatment here at home is set to expire next year. The Senators' bill would make the "Subpart F" exception for active financing income permanent, so U.S. firms and their workers are not disadvantaged by tax burdens their competitors don't face.

"This bill is about jobs in Montana and all across the country. One U.S. financial services company employs many Montanans in Great Falls alone, so the health of that company is critically important to my constituents," said Baucus. **"We need to make sure that U.S. tax rules don't make financial services companies less competitive in the world arena, and less able to keep good-paying jobs here at home. Making this active financing provision permanent will let U.S. companies make business decisions on a long-term basis."**

"America's tax laws shouldn't handicap Utah companies striving to lead in a very competitive global marketplace," Hatch said. **"Considerable overseas business is at stake. Salt Lake City is home to firms that would benefit from this legislation, and Utah jobs could be hurt if U.S.-based companies cannot fairly compete in the international marketplace."**

Deferral of U.S. tax for active financial services income was the law for the first seventy-seven years of the corporate income tax. The deferral was reinstated in 1997 as a temporary provision. Congress has renewed it four times. Current law includes stringent safeguards to ensure that the income eligible for deferral of U.S. tax is real business income and is earned by local operations serving local markets. If the current law exception expired, Subpart F of the tax code would impose tax immediately on the income earned by foreign subsidiaries of U.S. companies, even if their income has not been brought back to the United States. The current law exception for active financing and insurance income generally applies to the U.S.-based financial services and insurance industries and also to domestic manufacturers who finance sales of large equipment to foreign customers. This is the exception the Senators are seeking to make permanent, to keep those companies on a level playing field worldwide.

"When we tax U.S. companies working overseas, we increase their overhead and allow their competitors to undercut them," Hatch said. **"That hurts American workers, business, our influence abroad, and – ultimately – the tax revenue we're able to collect. Renewing legislation that puts our top-notch financial companies on competitive footing is good for business and good for our country."**

Baucus noted, **"The U.S. financial services industry is a global leader. Global financial services markets are fiercely competitive. If U.S. companies were forced to bear current U.S. tax, they would not be able to compete in the global marketplace. The U.S. would lose its financial services leadership role. In that case, the thousands of jobs necessary to support a global financial services operation would not be in the U.S. This legislation is critical to**

the continuing vitality of the U.S. financial services industry, it is a crucial pillar supporting tens of thousands of U.S. jobs, and it is the right tax policy answer."

Senator Mike Crapo (R-Idaho) is also an original cosponsor of the bill. The legislation is expected to be referred to the Senate Finance Committee.   Baucus is the Chairman and Hatch and Crapo are members of that panel.

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